

TOWNSHIP OF GARFIELD  
Clare County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Garfield	<b>County</b> Clare
<b>Audit Date</b> June 30, 2006	<b>Opinion Date</b> October 13, 2006	<b>Date Accountant Report Submitted to State:</b> December 20, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

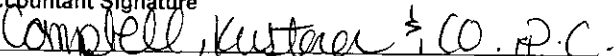
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> 			

TOWNSHIP OF GARFIELD  
Clare County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

October 13, 2006

To the Township Board  
Township of Garfield  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Garfield, Clare County, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Garfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Garfield, Clare County, Michigan as of June 30, 2006, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & CO., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GARFIELD  
Clare County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2006

This section of the Township of Garfield annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2006, totaled \$1,513,452.15 for governmental activities. Of this total, \$727,392.96 represent capital assets net of depreciation.

Overall revenues were \$636,820.40 from governmental activities.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, Fire Fund, Liquor Fund, Budget Stabilization Fund, Solid Waste Disposal Fund, Equipment Replacement Fund, Special Equipment Fund and Perch Lake, Eight Point Lake & Crooked Lake Improvement Funds.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and all Special Revenue Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets: The Township's combined net assets increased \$138,259.45 during the year ended June 30, 2006, totaling \$1,513,452.15.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in separate funds. This would include administrative, elections, Board of Review, Township hall and other Township property, cemetery, roads, lighting and library support. The major source of revenue for the General Fund is from state revenue sharing, tax base and repayment of internal loans used to finance special assessment projects from past years. The Township General Fund fund balance decreased by \$823.15 during the year ended June 30, 2006, totaling \$371,039.78.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital assets:

The new additions for this year were a fire equipment truck for \$177,987.00 and office equipment for \$2,960.60.

Long-term debt:

The Township had no long-term debt activity during the fiscal year ended June 30, 2006.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

We have an agreement with the County Road Commission to cost share 50/50 the paving of 2 miles of Maple Grove Road in 2006-2007. Estimated cost to the Township is approximately \$180,000.00.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customer with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenue it receives. If you have any questions concerning this report please contact the Township Supervisor or Township Clerk at the Township Hall, 9348 Terry Street, Lake, Michigan 48632, during the hours of 9-4 Monday-Wednesday-Friday or by calling 989-544-2445.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	778 901 69
Due from other units	<u>7 157 50</u>
Total Current Assets	<u>786 059 19</u>
NONCURRENT ASSETS:	
Capital Assets	996 872 46
Less: Accumulated Depreciation	<u>(269 479 50)</u>
Total Noncurrent Assets	<u>727 392 96</u>
TOTAL ASSETS	<u>1 513 452 15</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	727 392 96
Unrestricted	<u>786 059 19</u>
Total Net Assets	<u>1 513 452 15</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 513 452 15</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2006

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	7 119 81	-	(7 119 81)
General government	157 580 15	35 261 03	(122 319 12)
Public safety	123 259 51	-	(123 259 51)
Public works	<u>210 601 48</u>	<u>274 502 17</u>	<u>63 900 69</u>
Total Governmental Activities	<u>498 560 95</u>	<u>309 763 20</u>	<u>(188 797 75)</u>
General Revenues:			
Property taxes			170 739 10
State revenue sharing			140 018 71
Interest			14 012 44
Miscellaneous			<u>2 286 95</u>
Total General Revenues			<u>327 057 20</u>
Change in net assets			138 259 45
Net assets, beginning of year			<u>1 375 192 70</u>
Net Assets, End of Year			<u>1 513 452 15</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GARFIELD  
Clare County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2006

	<u>General</u>	<u>Fire</u>	<u>Solid Waste Disposal</u>	<u>Equipment Replacement</u>	<u>Other Funds</u>
<u>Assets</u>					
Cash in bank	350 463 56	64 576 74	147 803 49	-	202 639 18
Due from other funds	<u>20 576 22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>371 039 78</u>	<u>64 576 74</u>	<u>147 803 49</u>	<u>-</u>	<u>202 639 18</u>
<u>Liabilities and Fund Equity</u>					
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>371 039 78</u>	<u>64 576 74</u>	<u>147 803 49</u>	<u>-</u>	<u>202 639 18</u>
Total fund equity	<u>371 039 78</u>	<u>64 576 74</u>	<u>147 803 49</u>	<u>-</u>	<u>202 639 18</u>
Total Liabilities and Fund Equity	<u>371 039 78</u>	<u>64 576 74</u>	<u>147 803 49</u>	<u>-</u>	<u>202 639 18</u>

The accompanying notes are an integral part of these financial statements.

<u>Total</u>
765 482 97
<u>20 576 22</u>
<u>786 059 19</u>

<u>-</u>
<u>-</u>

<u>786 059 19</u>
<u>786 059 19</u>
<u>786 059 19</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	786 059 19
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	996 872 46
Accumulated depreciation	<u>(269 479 50)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 513 452 15</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended June 30, 2006

	<u>General</u>	<u>Fire</u>	<u>Solid Waste Disposal</u>	<u>Equipment Replacement</u>	<u>Other Funds</u>
Revenues:					
Property taxes	55 032 10	115 707 00	-	-	-
State revenue sharing	137 938 61	-	-	-	2 080 10
Charges for services – PTAF	31 872 43	-	-	-	-
Charges for services – other	3 388 60	-	-	-	-
Interest	14 012 44	-	-	-	-
Special assessments	40 747 28	-	149 745 54	-	84 009 35
Miscellaneous	<u>217 84</u>	<u>1 867 11</u>	<u>-</u>	<u>-</u>	<u>202 00</u>
Total revenues	<u>283 209 30</u>	<u>117 574 11</u>	<u>149 745 54</u>	<u>-</u>	<u>86 291 45</u>
Expenditures:					
Legislative:					
Township Board	7 119 81	-	-	-	-
General government:					
Supervisor	44 784 32	-	-	-	-
Elections	528 61	-	-	-	-
Clerk	14 740 63	-	-	-	-
Board of Review	667 31	-	-	-	-
Treasurer	22 726 87	-	-	-	-
Building and grounds	9 645 14	-	-	-	-
Other properties	17 996 34	-	-	-	-
Cemetery	5 829 45	-	-	-	-
Unallocated	33 295 14	-	-	-	-
Public safety:					
Liquor control	-	-	-	-	1 033 18
Fire services	-	84 165 86	-	-	-
Public works:					
Highways and streets	46 157 00	-	-	-	-
Sanitation	-	-	123 496 22	-	-
Lake weed control	-	-	-	-	40 948 26
Capital outlay	<u>2 960 60</u>	<u>-</u>	<u>-</u>	<u>177 987 00</u>	<u>-</u>
Total expenditures	<u>206 451 22</u>	<u>84 165 86</u>	<u>123 496 22</u>	<u>177 987 00</u>	<u>41 981 44</u>
Excess of revenues over expenditures	<u>76 758 08</u>	<u>33 408 25</u>	<u>26 249 32</u>	<u>(177 987 00)</u>	<u>44 310 01</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	120 081 23	-
Operating transfers out	<u>(77 581 23)</u>	<u>(42 500 00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(77 581 23)</u>	<u>(42 500 00)</u>	<u>-</u>	<u>120 081 23</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	(823 15)	(9 091 75)	26 249 32	(57 905 77)	44 310 01
Fund balances, July 1	<u>371 862 93</u>	<u>73 668 49</u>	<u>121 554 17</u>	<u>57 905 77</u>	<u>158 329 17</u>
Fund Balances, June 30	<u>371 039 78</u>	<u>64 576 74</u>	<u>147 803 49</u>	<u>-</u>	<u>202 639 18</u>

The accompanying notes are an integral part of these financial statements.

Total

170 739 10  
140 018 71  
31 872 43  
3 388 60  
14 012 44  
274 502 17  
2 286 95

636 820 40

7 119 81

44 784 32  
528 61  
14 740 63  
667 31  
22 726 87  
9 645 14  
17 996 34  
5 829 45  
33 295 14

1 033 18  
84 165 86

46 157 00  
123 496 22  
40 948 26  
180 947 60

634 081 74

2 738 66

120 081 23  
(120 081 23)

-

2 738 66

783 320 53

786 059 19

TOWNSHIP OF GARFIELD  
Clare County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2006

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 2 738 66

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(45 426 81)
Capital Outlay	<u>180 947 60</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>138 259 45</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Garfield, Clare County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Garfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2005 tax roll millage rate was 2.4101 mills, and the taxable value was \$73,108,194.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.



TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	3-20 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>778 901 69</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	290 095 05
Uninsured and Uncollateralized	<u>534 860 24</u>
Total Deposits	<u>824 955 29</u>

The Township of Garfield did not have any investments as of June 30, 2006.

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>20 576 22</u>	Current Tax Collection	<u>20 576 22</u>
Total	<u>20 576 22</u>	Total	<u>20 576 22</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 5 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
Land	66 511 10	-	-	66 511 10
Equipment	303 638 74	-	-	303 638 74
Buildings	<u>447 605 09</u>	<u>180 947 60</u>	<u>(1 830 07)</u>	<u>626 722 62</u>
Total	817 754 93	180 947 60	(1 830 07)	996 872 46
Accumulated Depreciation	<u>(225 882 76)</u>	<u>(45 426 81)</u>	<u>(1 830 07)</u>	<u>(269 479 50)</u>
Net Capital Assets	<u>591 872 17</u>	<u>135 520 79</u>	<u>-</u>	<u>727 392 96</u>

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering all Township Board members. The Township contributes a percentage of each employee's wages to the plan. Pension expense for the fiscal year ended June 30, 2006, was \$15,612.26.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Transfers In and Transfers Out

For the fiscal year ended, June 30, 2006, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Equipment replacement	77 581 23	General	77 581 23
Equipment replacement	<u>42 500 00</u>	Fire	<u>42 500 00</u>
Total	<u>120 081 23</u>	Total	<u>120 081 23</u>

Note 10 – Building Permits

The Township of Garfield does not issue building permits. Building permits are issued by the County of Clare.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	55 000 00	55 000 00	55 032 10	32 10
State revenue sharing	146 000 00	146 000 00	137 938 61	(8 061 39)
Charges for services – PTAF	25 000 00	25 000 00	31 872 43	6 872 43
Charges for services – other	3 300 00	3 300 00	3 388 60	88 60
Interest	8 000 00	8 000 00	14 012 44	6 012 44
Special assessments	40 700 00	40 700 00	40 747 28	47 28
Miscellaneous	7 220 00	7 220 00	217 84	(7 002 16)
Total revenues	<u>285 220 00</u>	<u>285 220 00</u>	<u>283 209 30</u>	<u>(2 010 70)</u>
Expenditures:				
Legislative:				
Township Board	15 200 00	15 200 00	7 119 81	(8 080 19)
General government:				
Supervisor	44 850 00	44 850 00	44 784 32	(65 68)
Elections	3 900 00	3 900 00	528 61	(3 371 39)
Clerk	18 800 00	18 800 00	14 740 63	(4 059 37)
Board of Review	1 000 00	1 000 00	667 31	(332 69)
Treasurer	28 900 00	28 900 00	22 726 87	(6 173 13)
Building and grounds	23 000 00	23 000 00	9 645 14	(13 354 86)
Other properties	28 700 00	28 700 00	17 996 34	(10 703 66)
Cemetery	10 300 00	10 300 00	5 829 45	(4 470 55)
Unallocated	33 400 00	33 400 00	33 295 14	(104 86)
Public safety:				
Fire services	1 500 00	1 500 00	-	(1 500 00)
Public works:				
Highways and streets	200 000 00	200 000 00	46 157 00	(153 843 00)
Capital outlay	3 000 00	3 000 00	2 960 60	(39 40)
Total expenditures	<u>412 550 00</u>	<u>412 550 00</u>	<u>206 451 22</u>	<u>(206 098 78)</u>
Excess (deficiency) of revenues over expenditures	<u>(127 330 00)</u>	<u>(127 330 00)</u>	<u>76 758 08</u>	<u>204 088 08</u>
Other financing sources (uses):				
Operating transfers out	<u>(78 000 00)</u>	<u>(78 000 00)</u>	<u>(77 581 23)</u>	<u>418 77</u>
Total other financing sources (uses)	<u>(78 000 00)</u>	<u>(78 000 00)</u>	<u>(77 581 23)</u>	<u>418 77</u>
Excess of revenues and other sources over expenditures and other uses	<u>(205 330 00)</u>	<u>(205 330 00)</u>	<u>(823 15)</u>	<u>204 506 85</u>
Fund balance (deficits), July 1	<u>205 330 00</u>	<u>205 330 00</u>	<u>371 862 93</u>	<u>166 532 93</u>
Fund Balance (Deficits), June 30	<u>-</u>	<u>-</u>	<u>371 039 78</u>	<u>371 039 78</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	108 000 00	108 000 00	115 707 00	7 707 00
Miscellaneous	-	-	1 867 11	1 867 11
Total revenues	<u>108 000 00</u>	<u>108 000 00</u>	<u>117 574 11</u>	<u>9 574 11</u>
Expenditures:				
Public safety:				
Fire services	<u>85 400 00</u>	<u>85 400 00</u>	<u>84 165 86</u>	<u>(1 234 14)</u>
Total expenditures	<u>85 400 00</u>	<u>85 400 00</u>	<u>84 165 86</u>	<u>(1 234 14)</u>
Excess (deficiency) of revenues over expenditures	<u>22 600 00</u>	<u>22 600 00</u>	<u>33 408 25</u>	<u>10 808 25</u>
Other financing sources (uses):				
Operating transfers out	<u>(42 500 00)</u>	<u>(42 500 00)</u>	<u>(42 500 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>(42 500 00)</u>	<u>(42 500 00)</u>	<u>(42 500 00)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(19 900 00)</u>	<u>(19 900 00)</u>	<u>(9 091 75)</u>	<u>10 808 25</u>
Fund balance, July 1	<u>19 900 00</u>	<u>19 900 00</u>	<u>73 668 49</u>	<u>53 768 49</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>64 576 74</u>	<u>64 576 74</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BUDGETARY COMPARISON SCHEDULE – SOLID WASTE DISPOSAL FUND  
Year ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Special assessments	<u>153 000 00</u>	<u>153 000 00</u>	<u>149 745 54</u>	<u>(3 254 46)</u>
Total revenues	<u>153 000 00</u>	<u>153 000 00</u>	<u>149 745 54</u>	<u>(3 254 46)</u>
Expenditures:				
Public works:				
Sanitation	<u>133 900 00</u>	<u>133 900 00</u>	<u>123 496 22</u>	<u>(10 403 78)</u>
Total expenditures	<u>133 900 00</u>	<u>133 900 00</u>	<u>123 496 22</u>	<u>(10 403 78)</u>
Excess of revenues over expenditures	19 100 00	19 100 00	26 249 32	7 149 32
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>121 554 17</u>	<u>121 554 17</u>
Fund Balance, June 30	<u>19 100 00</u>	<u>19 100 00</u>	<u>147 803 49</u>	<u>128 703 49</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

**BUDGETARY COMPARISON SCHEDULE – EQUIPMENT REPLACEMENT FUND**  
Year ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital outlay	<u>178 000 00</u>	<u>178 000 00</u>	<u>177 987 00</u>	<u>(13 00)</u>
Total expenditures	<u>178 000 00</u>	<u>178 000 00</u>	<u>177 987 00</u>	<u>(13 00)</u>
Excess (deficiency) of revenues over expenditures	<u>(178 000 00)</u>	<u>(178 000 00)</u>	<u>(177 987 00)</u>	<u>13 00</u>
Other financing sources (uses):				
Operating transfers in	<u>120 500 00</u>	<u>120 500 00</u>	<u>120 081 23</u>	<u>(418 77)</u>
Total other financing sources (uses)	<u>120 500 00</u>	<u>120 500 00</u>	<u>120 081 23</u>	<u>(418 77)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(57 500 00)</u>	<u>(57 500 00)</u>	<u>(57 905 77)</u>	<u>(405 77)</u>
Fund balance, July 1	<u>57 500 00</u>	<u>57 500 00</u>	<u>57 905 77</u>	<u>405 77</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

Township Board:	
Wages	3 000 00
Supplies	998 33
Publishing	928 94
Dues	1 422 54
Legal	770 00
	<u>7 119 81</u>
Supervisor:	
Salary – Supervisor	9 500 00
Salary – Assessor	20 000 08
Supplies	6 952 93
Contracted services	7 385 92
Miscellaneous	945 39
	<u>44 784 32</u>
Elections:	
Miscellaneous	528 61
	<u>528 61</u>
Clerk:	
Wages	12 500 00
Wages – deputy	886 07
Supplies	709 25
Miscellaneous	645 31
	<u>14 740 63</u>
Board of Review:	
Wages	437 25
Printing and publishing	219 39
Miscellaneous	10 67
	<u>667 31</u>
Treasurer:	
Wages	14 000 04
Wages – deputy	1 443 44
Supplies	2 031 38
Postage	4 025 00
Miscellaneous	1 227 01
	<u>22 726 87</u>
Building and grounds:	
Wages	364 25
Supplies	176 54
Insurance	3 800 00
Telephone	1 694 32
Utilities	3 356 03
Repairs and maintenance	254 00
	<u>9 645 14</u>
Other properties:	
Wages	11 273 18
Supplies	2 833 46
Repairs and maintenance	1 105 98
Gasoline	2 783 72
	<u>17 996 34</u>



TOWNSHIP OF GARFIELD  
Clare County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

Cemetery:	
Wages	3 206 19
Supplies	910 14
Insurance	338 00
Burials	825 00
Utilities	89 78
Repairs and maintenance	332 34
Miscellaneous	128 00
	<u>5 829 45</u>
Unallocated:	
Street lights	2 457 62
Payroll taxes	8 781 12
Insurance	5 133 14
Pension	15 612 26
Library	1 311 00
	<u>33 295 14</u>
Highways and streets:	
Repairs and maintenance	<u>46 157 00</u>
Capital outlay	<u>2 960 60</u>
Total Expenditures	<u><u>206 451 22</u></u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
June 30, 2006

	<u>Liquor</u>	<u>Fire</u>	<u>Budget Stabilization</u>	<u>Crooked Lake Improvement</u>	<u>Equipment Replacement</u>
<u>Assets</u>					
Cash in bank	<u>1 046 92</u>	<u>64 576 74</u>	<u>63 778 64</u>	<u>78 731 24</u>	<u>-</u>
Total Assets	<u>1 046 92</u>	<u>64 576 74</u>	<u>63 778 64</u>	<u>78 731 24</u>	<u>-</u>
<u>Liabilities and Fund Balances</u>					
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Unreserved:					
Undesignated	<u>1 046 92</u>	<u>64 576 74</u>	<u>63 778 64</u>	<u>78 731 24</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>1 046 92</u>	<u>64 576 74</u>	<u>63 778 64</u>	<u>78 731 24</u>	<u>-</u>

<u>Solid Waste Disposal</u>	<u>Perch Lake Improvement</u>	<u>Special Equipment</u>	<u>Eight Point Lake Improvement</u>	<u>Total</u>
<u>147 803 49</u>	<u>10 402 79</u>	<u>7 945 59</u>	<u>407 734 00</u>	<u>415 019 41</u>
<u>147 803 49</u>	<u>10 402 79</u>	<u>7 945 59</u>	<u>407 734 00</u>	<u>415 019 41</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>147 803 49</u>	<u>10 402 79</u>	<u>7 945 59</u>	<u>407 734 00</u>	<u>415 019 41</u>
<u>147 803 49</u>	<u>10 402 79</u>	<u>7 945 59</u>	<u>407 734 00</u>	<u>415 019 41</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
Year ended June 30, 2006

	<u>Liquor</u>	<u>Fire</u>	<u>Budget Stabilization</u>	<u>Crooked Lake Improvement</u>	<u>Equipment Replacement</u>
Revenues:					
Property taxes	-	115 707 00	-	-	-
State revenue sharing	2 025 65	-	-	-	-
Special assessments	-	-	-	37 368 35	-
Miscellaneous	-	1 867 11	-	-	-
Total revenues	<u>2 025 65</u>	<u>117 574 11</u>	<u>-</u>	<u>37 368 35</u>	<u>-</u>
Expenditures:					
Public safety:					
Liquor control	1 033 18	-	-	-	-
Fire services	-	84 165 86	-	-	-
Public works:					
Sanitation	-	-	-	-	-
Lake weed control	-	-	-	37 700 00	-
Capital outlay	-	-	-	-	177 987 00
Total expenditures	<u>1 033 18</u>	<u>84 165 86</u>	<u>-</u>	<u>37 700 00</u>	<u>177 987 00</u>
Excess of revenues over expenditures	<u>1 046 92</u>	<u>33 408 25</u>	<u>-</u>	<u>(331 65)</u>	<u>(177 987 00)</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	120 081 23
Operating transfers out	-	(42 500 00)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(42 500 00)</u>	<u>-</u>	<u>-</u>	<u>120 081 23</u>
Excess of revenues and other sources over expenditures and other uses	1 046 92	(9 091 75)	-	(331 65)	(57 905 77)
Fund balances, July 1	<u>-</u>	<u>73 668 49</u>	<u>63 778 64</u>	<u>79 062 89</u>	<u>57 905 77</u>
Fund Balances, June 30	<u>1 046 92</u>	<u>64 576 74</u>	<u>63 778 64</u>	<u>78 731 24</u>	<u>-</u>

<u>Solid Waste Disposal</u>	<u>Perch Lake Improvement</u>	<u>Special Equipment</u>	<u>Eight Point Lake Improvement</u>	<u>Total</u>
-	-	-	-	115 707 00
-	-	-	-	223 754 89
149 745 54	5 907 00	-	40 734 00	2 080 10
-	-	202 00	-	2 069 11
<u>149 745 54</u>	<u>5 907 00</u>	<u>202 00</u>	<u>40 734 00</u>	<u>353 611 10</u>
-	-	-	-	1 033 18
-	-	-	-	84 165 86
123 496 22	-	-	-	123 496 22
-	3 248 26	-	-	40 948 26
-	-	-	-	177 987 00
<u>123 496 22</u>	<u>3 248 26</u>	<u>-</u>	<u>-</u>	<u>427 630 52</u>
<u>26 429 32</u>	<u>2 658 74</u>	<u>202 00</u>	<u>40 734 00</u>	<u>(74 019 42)</u>
-	-	-	-	120 081 23
-	-	-	-	(42 500 00)
-	-	-	-	77 581 23
26 249 32	2 658 74	202 00	40 734 00	3 561 81
<u>121 554 17</u>	<u>7 744 05</u>	<u>7 743 59</u>	<u>-</u>	<u>411 457 60</u>
<u>147 803 49</u>	<u>10 402 79</u>	<u>7 945 59</u>	<u>40 734 00</u>	<u>415 019 41</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended June 30, 2006

	<u>Balance 7/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/06</u>
<u>Assets</u>				
Cash in Bank	8 755 05	2 225 511 82	2 220 848 15	13 418 72
Due from other units	<u>-</u>	<u>7 157 50</u>	<u>-</u>	<u>7 157 50</u>
Total Assets	<u>8 755 05</u>	<u>2 232 669 32</u>	<u>2 220 848 15</u>	<u>20 576 22</u>
<u>Liabilities</u>				
Due to other funds	8 755 05	403 502 69	391 681 52	20 576 22
Due to others	<u>-</u>	<u>1 829 166 63</u>	<u>1 829 166 63</u>	<u>-</u>
Total Liabilities	<u>8 755 05</u>	<u>2 232 669 32</u>	<u>2 220 848 15</u>	<u>20 576 22</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

October 13, 2006

To the Township Board  
Township of Garfield  
Clare County, Michigan

We have audited the financial statements of the Township of Garfield for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Garfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Garfield  
Clare County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2006.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants